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INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEHSM/AMEMBASSY STOCKHOLM 0142
RHEHNSC/NSC WASHDC
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

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STATE FOR WHA/CEN, WHA/EPSC, AND EEB
TREASURY FOR SARA GRAY
USDOC FOR 4332/ITA/MAC/WH/MSIEGELMAN
3134/ITA/USFCS/OIO/WH/MKESHISHIAN/BARTHUR

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TAGS: [EAID](#) [EWWT](#) [PREL](#) [ECON](#) [PGOV](#) [NU](#)
SUBJECT: SWEDEN ENDS COOPERATION WITH NICARAGUA

REF: TEGUCIGALPA 1487

¶1. (SBU) Summary: On August 27, the Embassy of Sweden announced that the country will end its foreign assistance program in Nicaragua as part of a global strategy that aims to focus its international aid to countries in Africa and Eastern Europe. Members of the Nicaraguan National Assembly and independent economists speculated that the decision was really due to Nicaragua's criminalization of all forms of abortion and to President Ortega's leftist politics. According to a Swedish aid officer, the process of deciding what programs to cut was not transparent, and reflected the inherent conflicts in Sweden's contentious coalition government. End summary.

¶2. (U) On August 27, the Embassy of Sweden announced that the country will end its foreign assistance to Nicaragua, as a result of a global strategy that aims to focus its international aid to countries in Africa and Eastern Europe. In recent years, annual aid from Sweden to Nicaragua has averaged \$21 million, reaching \$35.6 million in 2006. The Swedish Embassy explained that the process of withdrawal will take between two and four years. The diplomatic functions of Sweden's Managua Embassy will be transferred to Guatemala, with the embassy here converting to an aid office to oversee the assistance phase-out. These moves are part of a larger regional cutback as the GOS plans to conclude or significantly reduce its assistance programs in Chile, Peru, Haiti, Honduras, and Nicaragua (reftel). Projects being implemented in those countries will continue until their scheduled completion dates.

¶3. (U) Sweden's assistance to Nicaragua focuses on the social issues of health and education. It is also a member of the Budget Support Group, composed mainly of European aid agencies and international financial institutions which provide funding directly to Nicaragua's general budget. This support is part of the Nicaraguan effort on aid harmonization and alignment and the overall program to finance the operations of the public social sectors as envisioned in the Millennium Development Goals.

¶4. (U) Despite of the Swedish Ambassador's continued assertions that this move was part of a global strategy and that the decision was made over a year ago, members of the Nicaraguan National Assembly and independent economists speculated that the decision was really due to Nicaragua's criminalization of all forms of abortion and to President Ortega's leftist politics.

¶5. (SBU) According to Swedish aid officer Sten Strom the decision to curtail operations in Latin America was not only based on efforts to

concentrate assistance in countries or regions of strategic importance to Sweden, but also reflects the inner workings of the four party coalition in Stockholm. The decision to close an embassy and conclude an aid program was based on one of two criteria, either administrative benefit or local development policy, or, perhaps, some combination of the two. Administrative criteria included the savings to be gained by closing an embassy or aid program and managing functions and projects from a regional center. In considering beneficiary counties' development policies, the Swedish government examined their commitment to sound economic policies, the rule of law, gender equality, and HIV/AIDS amelioration.

16. (SBU) The process provides Swedish diplomats a convenient dodge -- if a decision to close a development program proves controversial, it can be attributed to administrative considerations. According to Strom, the process was not truly transparent, and reflected the inherent conflicts in a contentious coalition government. During a recent session, the Chairman of the Budget Support Group (currently the World Bank ResRep in Nicaragua) asked Strom if the decision to terminate the program in Nicaragua was motivated by Sweden's displeasure with the recent criminalization of therapeutic abortion in Nicaragua; he responded in the negative.

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